

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

FIRST SET OF INFORMATION REQUESTS TO
KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 05-8

Respondent: Theodore Poe, Jr.

Information Request DTE 1-2

- Q. Please refer to page 7 of the Company's prefiled testimony. Explain why the price re-determination option in FLS129 only appears in this contract, and not in any of the other contracts the Company is seeking to have approved in this filing.
- A. From the beginning, the contract discussions with Distrigas were based on the Company's entire portfolio of contracts and both sides engaged in give and take with respect to certain features of the various contracts. The end result was a portfolio of new agreements acceptable to both sides.

As discussed in Ms. Arangio's testimony, the FLS 129 contract was not due to expire until October 31, 2008. KeySpan was reluctant to lock into a contract extension early because of the number of proposed LNG projects in the Northeast that have the potential to change the market for LNG purchases by the time the FLS 129 contract would expire. However, in exchange for KeySpan's agreement to renegotiate a contract extension early, Distrigas agreed to provide a price re-opener that protects KeySpan against such market changes. Thus, KeySpan was able to secure a three-year extension at today's prices while retaining the opportunity to negotiate a lower price for the contract extension term if market conditions change.

There was no opportunity for KeySpan to obtain a similar agreement in the other contracts without a corresponding cost.